

Current Cross-Strait Relations:

Problems and Prospects

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Abstract

Current Cross-Strait Relations: Problems and Prospects

This paper examines the nature of the relationship between Taiwan and China, as well as recent positive developments. It also assesses the intentions, perceptions, and policies of Taiwan and China, in addition to the responses of the international community to the future of Taiwan. Furthermore, it discusses possible formulas for future settlement and the worst-case scenario of unification by force.

The so-called Taiwan issue is an internal issue with international dimensions, caused by a variety of complex elements. Due to the depth of historical hostility and lingering distrust, as well as the delicate domestic politics in Taiwan, the prospects for an accommodation between the two sides still appear extremely remote. To the leaders of China, the policy of “one country, two systems” is a reasonable and generous offer for Taiwan. Nevertheless, this policy is preconditioned on Taiwan relinquishing its sovereignty. Therefore, neither the Taiwanese leadership nor the people have seriously considered it. It has even become a political taboo and, in recent years, Chinese leaders have become aware that this goal cannot be achieved in the short term and seldom mention it in public.

From an historical perspective, in October 1987, Taiwan’s late President Chiang Jing-kuo announced the end of martial law and also allowed retired servicemen to visit China. This was a turning point for Taiwan’s Mainland policy. In May 2012, when Ma Ying-jeou became Taiwan’s President, he took a pragmatic position toward China. The two sides have undertaken a systematic effort to stabilize their relations and reduce mutual fear. According to an opinion poll, 71.79 percent of the Taiwanese public supported continuing negotiations to solve the issue. The two sides held seven rounds of important high-level talks and have signed 16 agreements in the past four years.

In view of current conditions, the two sides are indeed increasing two-way contact, reducing tension, augmenting trust and predictability, expanding areas of cooperation, and institutionalizing interaction. This is the warmest and steadiest period in more than 62 years.

Although there has been significant progress in Cross-Strait relations, there is no doubt that many unresolved issues still exist, such as the 1992 Consensus on the One-China Principle, military threats, political ideology, national identities, economic dependence, and diplomatic obstacles.

The basic overlapping interests between Taipei and Beijing consist of upholding the 1992 Consensus, opposing the independence of Taiwan, and standing for peaceful developments. Under the present circumstances, the trend toward improved relations

between the two sides has gained momentum that would be difficult to reverse. Peaceful coexistence and competition appear to be inevitable.

Looking forward to future prospects, the political dispute between the two sides is a chronic and sensitive issue for Taiwan, which has no easy short-term solution, as mutual trust must be gradually built up. In fact, the Taiwan issue is more complicated than anyone imagined, due to the balancing of many internal and external factors as well as international considerations. Peaceful unification between Taiwan and China seems unlikely in the foreseeable future, due to ideological and domestic political factors, as well as historical distrust. In terms of Cross-Strait stability, maintaining the status quo may be the best option for the two sides as well as the international community.

I. Introduction

As a result of the Chinese communists' seizing power in 1949, the island of Taiwan and the Chinese Mainland have become two independent political entities. Cross-Strait relations refers to the relations between the two, which are separated by the Taiwan Strait in the west Pacific Ocean, in particular, the relations between their respective governments, the People's Republic of China (PRC) and the Republic of China (ROC). In the past 62 years, the problem of Chinese unification, or more specifically the unification of Taiwan and China, has remained unresolved by the two rival Chinese governments. The problem of China's unification with Taiwan has become known as the "Taiwan issue" in international affairs and has been a flashpoint in East Asia. The two Taiwan Strait crises of 1954 and 1958 threatened to destabilize the balance of power in East Asia. Though the ROC was excluded from the United Nations in October 1971 and the United States severed diplomatic relations with the ROC in 1978, the ROC is still active in the international community, as the United States and other nations have found acceptable means of dealing with the ROC even if not through formal diplomatic channels. From an international law perspective, Taiwan has been developing into a de facto country for more than six decades. Domestic friction in Taiwan, however, is always caused by the sensitive independence-unification argument. The Taiwan issue has not disappeared from the international community.

From an historical perspective, on January 1, 1979, the Standing Committee of the Chinese National People's Congress (NPC) sent an open letter to the people of Taiwan calling for the establishment of postal, trade, and transportation links between the two sides.¹ That was China's first public peaceful gesture towards Taiwan.

On September 30, 1981, PRC Marshal Ye Jianying, then Chairman of the Standing Committee of the NPC, presented a nine-point proposal for the peaceful

unification of China. The intention behind the proposal was to set the stage for peace talks between the PRC and the ROC.²

In September 1982, when then British Prime Minister Margaret Thatcher went to Beijing to discuss the issue of Hong Kong's future, Deng Xiaoping officially proposed the "one country, two systems" formula.³ Except for the provision under which Taiwan can have its own armed forces, the Special Administrative Region (SAR) as applied to Hong Kong and Macau is basically similar to the proposal aimed at Taiwan in the "one country, two systems" formula. On June 26, 1983, Deng Xiaoping met with Yang Liyu, a professor from Seton Hall University in the United States. In their conversation, Deng detailed a six-point prescription for his "one country, two systems" policy in which he guaranteed to respect Taiwan's judicial, administrative, and military autonomy. To Beijing, the policy of "one country, two systems" is a reasonable and generous offer for Taiwan's authorities. Nevertheless, this policy deprives Taiwan of sovereignty as an independent country. Therefore, the ROC government and public opinion have always and immediately rejected this proposal.

Cross-Strait relations remained hostile under the administrations of President Lee Tung-hui (1988-2000) and President Chen Sui-bian (2000-2008), as both were ideologically pro-independence. Former President Chen pushed his "one country on each side" doctrine and denied the existence of the 1992 Consensus. He attempted to move Taiwan toward de jure independence. The years of 2005-2007 were marked by continued deadlock in Cross-Strait relations and deepening political stalemate in Taiwan. During that period, Chen intensified Cross-Strait antagonism and imperiled the peace of the Taiwan Strait. Even in recent years, Taiwan has regarded the proposal of "one country, two systems" as a political taboo. For instance, at an international press conference on January 13, 2012, President Ma said: "Ever since the PRC's President Hu Jintao has been in power, the 'one country, two systems' policy has

remained unchanged, yet China seldom mentions it. China is aware that this goal cannot be achieved in the short term; thus China uses a peaceful but gradual approach to develop good relations with Taiwan.”⁴

So far, the PRC’s consistent stance toward Taiwan is well known and has been called the “four fundamental principles.” First, Taiwan is an inalienable part of Chinese territory. Next, the PRC government is the sole, legitimate government of China. In addition, since Taiwan is not a sovereign state, the Taiwan issue is an internal Chinese affair in which no other country has a right to interfere. Lastly, the PRC has never ruled out the use of force against Taiwan, and, should it use force, by nature it would be a civil rather than an international war. In the near future, it is unlikely that any faction in power in the PRC would be in a position to give up its claim to Taiwan. In addition, there is little evidence of a generation gap about the unification issue.

On the eve of 2009, Hu Jintao, the president of the PRC and general secretary of the Chinese Communist Party (CCP) Central Committee, delivered a speech commemorating the 30th anniversary of the “Message to Compatriots in Taiwan” of 1979. His speech outlined “six points”: (1) Firm adherence to the One-China Policy; (2) Strengthening commercial ties; (3) Promoting personnel exchanges; (4) Stressing common cultural links between the two sides; (5) Allowing Taiwan’s reasonable participation in global organizations; and (6) Negotiating a peace agreement.⁵

These points so far constitute the “strategic guiding” policy for China to effectively conduct current Cross-Strait relations. In fact, China’s growing economic and military power, expanding political influence, distinctive diplomatic voice, and increasing involvement in regional multilateral institutions are also having an impact on Cross-Strait relations.

As far as Taiwan’s responses to Beijing’s proposals for unification are concerned,

between 1949 and 1987, the ROC consistently maintained the “3 No’s Policy,” which means no contact, no negotiation, and no compromise.⁶ On June 10, 1982, the late Premier Sun Yun-suan of the ROC called for Chinese unification under the Three Principles of the People. He also asked Beijing to give up the “four fundamental principles” to set the stage for future unification.⁷ Before 1987, there was no contact between the people and governments of the two sides, and there were no mechanisms or channels for jointly dealing with any Cross-Strait problems or issues.

In October 1987, due to many domestic and international factors, the late President Chiang Jing-kuo announced the end of martial law, which also incidentally allowed retired servicemen to visit Mainland China. This became a turning point in Cross-Strait relations. The ROC government continued to relax its travel ban and allowed the general public of Taiwan to visit their relatives on the Mainland. It remained to be seen, however, whether the initial change of ROC policy would eventually lead Taipei to repeal its official “Three No’s” policy.

Under the present circumstances, the PRC is pushing its peaceful means, but at the same time, China still has never ruled out the possibility of using force to resolve the Taiwan issue. In fact, Deng Xiaoping set the following five conditions regarding the use of force: 1) Taiwan leans toward Moscow; 2) Taiwan claims to be an independent state; 3) Taiwan has lost internal control as a result of a chaotic political situation; 4) Taiwan has acquired nuclear weapons; and 5) Taiwan refuses indefinitely to enter into negotiations with Beijing.⁸ Yet military action against Taiwan, even if it were only a naval blockade, would be very costly for Mainland China as well. Beijing would therefore use force against Taiwan only if there seemed to be no alternative.

In view of the situation today, none of the above-mentioned conditions by Deng are likely to be a problem except for the possible independence of Taiwan. Since the end of martial law, Taiwan has seen significant economic and democratic

development, leading to the emergence of a middle class. In particular, this has coincided with the rise of the current opposition parties, the pro-independence Democratic Progressive Party (DPP) and the Taiwan Solidarity Union (TSU). They form the so-called pan-green camp in Taiwan that has traditionally called for de facto independence from China. The DPP is advocating self-determination for the people of Taiwan, and this has become the focal issue of political debate in Taiwan's domestic politics. Both Beijing and Taipei share the view that the DPP's self-determination campaign is generally associated with the Taiwan Independence Movement.⁹

In contrast to the independence movement, Taipei's consent to limited exchanges and contact with the Mainland has not only reduced the tension between the two sides of the Taiwan Strait, but has also increased channels of communication with Beijing. This trend has further accelerated since the election of Kuomintang (KMT) President Ma Ying-jeou in May of 2008. As to policy, Ma has proposed a new "Three No's Policy," entailing no independence, no unification, and no use of force. This policy has been relatively more acceptable to Beijing, leading to a more positive response and cooperation. Ma has openly accepted the 1992 Consensus regarding the One-China Policy. His predecessors, including Lee Teng-hui and Chen Sui-bian, had opposed this stance, and, likewise, Ma's principal opponent in the 2012 elections, DPP chairwoman Dr. Tsai Yin-wen, does not recognize the 1992 Consensus. After Ma's successful reelection in January of 2012 by a margin of nearly 800,000 votes, however, the trend toward improving relations with Beijing is likely to continue.

According to the 1992 Consensus, the basic overlapping interests between Beijing and Taipei consist of upholding a One-China Policy, opposing the independence of Taiwan, and standing for the peaceful development of China. Under present circumstances, the trend toward improved relations between Beijing and Taipei has gained a momentum that would be difficult to reverse. Peaceful

coexistence and peaceful competition appear to be inevitable, as economic, educational, travel, and other ties will continue to strengthen and incentivize peaceful relations between the two sides over the next four years until the next presidential election. At minimum, the status quo is likely to be maintained during this period, with stable, improving relations marked by the “Three No’s Policy” of no independence, no unification, and no use of force. By the next presidential election, however, other international and domestic variables will once again determine the outcome, making the future unclear.

The Taiwan issue perhaps grew out of a unique historical situation that involves many complex elements. What has been the most difficult to predict, among many other factors, is the influence of domestic politics. Thus, no one can produce a timetable for the resolution of the Taiwan issue, but it is important for us to understand the overlapping interests, points of contention, real intentions, perceptions, and present policies of the Chinese on both sides of the Taiwan Strait, as well as the possible development of these issues in the future.

II. Overlapping and Competing Interest’s between China and Taiwan

A. Taiwan’s strategic value and importance

The role of Taiwan in the Asia-Pacific region can be viewed from many perspectives. Most importantly, we should consider Taiwan’s strategic importance as both a developed economy and a stable democracy in East Asia. Geopolitically, Taiwan is in some respects at the juncture of perhaps competing Western and Chinese interests. Following this perspective, U.S. Secretary of State Hillary Rodham Clinton maintained recently while in Hawaii that Taiwan is a very solid security and economic partner of the United States. Similarly, the Chinese military has already stated its ambitions rather clearly: China has a vital interest in securing the region. China wants

to control the Western Pacific and push the United States out. And Taiwan's strategic location would provide China with a convenient springboard for its future operations. At present, China regards Taiwan as a very important buffer zone between China and the United States.¹⁰

Taiwan is located at the geographical center of East Asia. The position is astride the sea lines of communication (SLOC) in the Western Pacific, a fact that, while which not a new consideration, continues to be influential. In addition to its location, Taiwan itself is endowed with many forms of soft power and reliable infrastructure, all of which contribute to an ideal environment for domestic, foreign, and Chinese companies. Taiwan serves as a convenient springboard for business operations in the region and is imperative to the economic interests of Japan, the United States, and various Southeast Asian countries.

Recently, several scholars have expressed novel ideas concerning Taiwan's value. For example, Professor Charles Glaser of George Washington University believes that reducing the U.S. commitment to Taiwan could encourage China to be cooperative in other areas, such as Iran or North Korea. In addition, a Nov. 10, 2011 op-ed in *The New York Times* by U.S. Marine and former international security fellow at the Harvard Kennedy School Paul Kane, which recommended "To save the economy, ditch Taiwan," is really the nadir in the discussion. Kane says the United States should make a deal with China and ditch Taiwan in exchange for Beijing's writing off about U.S. \$1.14 trillion in debt.

The above minority in the U.S. academic community has essentially proposed abandoning Taiwan. But this is not an advisable, mainstream opinion. If one day an anti-Western power were to be in control of Taiwan, it would be very difficult to predict the outcome and the changes that might follow, which may not be in the West's interest. For example, John Tkacik, a former U.S. diplomat and Heritage

Foundation Fellow, recently testified on this point at a hearing of the U.S. House Committee on Foreign Affairs. On March 29, 2012, he said that, under the Ma administration, Taiwan is adopting policies that are moving inexorably toward China and could become part of China's security interests. This is because the United States has given Taiwan insufficient support in the past. He expressed concern that Taiwan's deep-water ports could become home to China's diesel-electric submarines. There is also a possibility of China-Taiwan cooperation against Japan and the United States in the East China Sea. Larry Wortzel, a member of the U.S.-China Economic and Security Review Commission, said he believed that this group thought Tkacik was right. As such, the majority of people in the U.S. government and academia likely believe the United States should continue to maintain strong relations with Taiwan.¹¹

Still, Washington has also welcomed steps by Ma to build peaceful Cross-Strait ties. This is because the United States sees the rapprochement as defusing a regional problem that holds the potential to bring the United States and China into military conflict. Taiwan's geopolitics places it at a unique, strategic position between Western and Asian powers, especially as the United States is winding down its engagement in Iraq and Afghanistan while moving towards East Asia. The new U.S. approach, however, also presents a valuable multilateral framework for the region, and Taiwan needs to be an integral part of that. Taipei's policy over the past four years has over-emphasized its bilateral ties with China at the expense of its relations with other key democratic countries in the region. This imbalance can now be addressed by strengthening economic and security relations with democratic friends and allies.¹²

B. Economic interdependence

In recent years, China has been playing a major global economic role. It is the world's second largest economy in terms of GDP. China's foreign exchange reserves

have U.S. \$3.2 trillion, the largest in the world. China is also the world's largest exporter. As far as Taiwan is concerned, Taiwan is a developed industrialized country and one of the four Asian Tigers. In recent decades, the style of Taiwan's economy is leading to a knowledge- and service-based economy. The economic rise is known as the Taiwan miracle.

Yet in terms of natural resources, Taiwan is indeed poor. In addition, the domestic market is also small. Thus, China's natural resources and huge market are very attractive to Taiwan. Since the late 1980's, the economic ties between Taiwan and Mainland China have been strengthening, due to the complementary relationship between them. Following the loosening of restrictions on bilateral trade and investment in the late 1980's, many Taiwanese companies shifted production to the Mainland. Whereas Mainland China benefited from Taiwanese investment, Taiwanese businesses secured a cheap and reliable source of labor. By the end of 1993, Taiwan had already surpassed Japan to become the second-largest source of overseas investment in China. At the same time, for the rest of developing Asia, China itself is becoming an ever more important market—the biggest trading partner for India, South Korea, and the 10 members of the Association of South-East Asian Nations taken as a block.¹³

With these growing economic ties, Beijing has made even further cooperative gestures towards Taiwan. It is likely that the intensity of Cross-Strait economic interactions and social exchanges might eventually make China and Taiwan a single economy. In fact, Taiwan's reaction to Beijing's economic proposals has been circumspect, as a result of being wary of the political consequences of closer ties, interdependence, and possibly, overdependence. Nonetheless, the Taiwanese economy has benefitted from the Chinese economic transformation, and the two have become increasingly interdependent. The ties provide Taiwan greater access to Chinese

markets, as well as the opportunity to secure scarce natural resources. The gradually expanding economic links between China and Taiwan have created an unprecedented interdependence, which seems unlikely to be reversed.

C. Defending the South China Sea and the Diaoyutai Islands

Between China and Taiwan, areas of overlapping interest and potential flashpoints concern the sovereignty over the South China Sea and the Diaoyu Islands. The islands are located east of Mainland China, northeast of Taiwan, and west of Okinawa, making the competing claims of territorial integrity and control over these islands particularly sensitive. In the future, this issue will be an unavoidable point of discussion in political negotiations between Taiwan and Mainland China.

With regard to the Diaoyutai Islands, China and Japan, as well as Taiwan, all claim sovereignty. In recent months, Japan and China renamed the islets of the controversial area, while, on March 4, 2012, the Taiwanese government issued a statement reiterating Taiwan's sovereignty over the region. The Government Information Office Minister, Philip Yang said in a statement that the government does not recognize Japan's naming of the islands or any claim to sovereignty, or actions taken concerning the islands by "any other party." At the same time, Taiwan's Ministry of Foreign Affairs (MOFA) has instructed their representative to Japan, John Feng, to lodge a stern protest with Japan in Tokyo. The Taiwanese government called on the Japanese government to settle the disputes in a peaceful and rational way so as not to cause misunderstandings. Interestingly, MOFA did not file a complaint with the Chinese government.¹⁴ The ROC just said that it was willing to set aside disputes, reciprocate peacefully, and develop resources jointly, urging the parties concerned to work together towards peace and stability in the region.

Regarding the South China Sea dispute, the area is thought to hold 250

uninhabitable islets with vast, untapped reserves of oil (213 billion barrels) and natural gas. China, the Philippines, Vietnam, Brunei, Malaysia, and Taiwan are six claimant countries vying for control. The decade-old territorial controversy over the South China Sea is entering a new and more contentious chapter, as claimant nations delve deeper into disputed waters for energy supplies.

In recent years, these disputes have escalated. Southeast Asian countries have unilaterally introduced foreign companies to explore gas and oil resources in the disputed areas. Forces external to the region have shown their interest in intervening into what was originally merely a regional dispute. The prolonged and internationalized nature of the disagreement has never been more obvious than today.

Meanwhile, the U.S. military has also signaled its return to the area, as some nations, such as the Philippines, seek to build up their navies and align militarily with the United States. As a result, Beijing increasingly fears that America aims to encircle China militarily and diplomatically. For instance, the Chinese Premier Wen Jiabao declared on Nov. 18, 2011 at the East Asia Summit in Bali, Indonesia, that this subject should be off-limits at the talks and also warned that external forces should not use any excuses to interfere.¹⁵ While China prefers to solve the problems one-on-one, one-by-one, with its smaller Southeast Asian neighbors, Washington has sought to make disputes an international issue, given that half of the world's merchant fleets and tonnage sail across the sea and around these islets each year, carrying U.S.\$5 trillion worth of trade.¹⁶

Thus, the territorial controversy involving the South China Sea and the Diaoyutai Islands involves a host of international parties, and woven into this web of competing interests is the issue of Taiwanese sovereignty. This controversy concerns an overlapping interest between China and Taiwan, making it both an opportunity and a potential flashpoint, with the outcome a critical concern. The increased U.S. presence

in the South China Sea, however, is good for Taiwan because it ensures safety and security in the region, in particular freedom of navigation in the all-important sea lanes surrounding the island. Being an export economy, Taiwan is highly dependent on free navigation through these waterways. However, China's Taiwan Affairs office of State Department spokeswoman Fan Li-chin said on April 25, 2012 that both China and Taiwan have the responsibility to defend the sovereignty of Diaoyutai and the South China Sea. That is the first time for China to make this kind public remark, which sends a special signal to Taiwan. Perhaps both sides will discuss the subject in future political talks.

D. Sense of nationalism

Both the ROC and the PRC possess all four of the essential criteria of the Montevideo Convention for statehood under customary international law, namely: (a) a defined territory; (b) a permanent population; (c) a government; and (d) the capacity to enter into international relations. Although Taiwan and Mainland China are independent political entities with distinct identities, some common elements remain, such as a shared cultural heritage and history as well as a common sense of nationalism.

The PRC in particular makes the nationalistic claim for Taiwan on the basis that Taiwan has always been a part of China. In recent years, this belief has become prevalent among the Mainland populace and serves as an instrument for mobilization by the authorities. With communist ideology on the wane in China, nationalism remains the most powerful glue that holds the country together. No Chinese leader can afford to brook any challenge to sovereignty, territorial integrity, or any other concept related to nationalism. For instance, driven by nationalist sentiment and the simple urge for international power, China desires to replace the United States as Asia's great

power.

Both sides share the history of the Opium Wars, as well as occupation and oppression by colonial powers. As such, there is a common spirit and sense of nationalism in envisioning a stronger and more powerful Greater China as a way of overcoming past humiliation. In addition, there are historical figures that command respect on both sides of the Taiwan Strait, such as Dr. Sun Yat-sen, the founding father of the ROC.

E. Opposing Taiwan's independence movement

It is believed that one of the overlapping national interests between the PRC and the ROC is preventing the emergence of an independent Taiwanese republic and maintaining the status quo. In fact, under the leadership of President Lee Tung-hui (1988-2000) and President Chen Shui-bian (2000-2008), Taiwan turned toward independence, but political developments in Taiwan over the past several years have effectively ended the independence movement there. In particular, younger Taiwanese tend to be pragmatic and open-minded about Cross-Strait relations. The main reasons are that the feasibility of successful independence is low and the risk of war with China is high; there is also a lack of international support. Nonetheless, the DPP and some in southern and rural Taiwan, in particular, still hold this wish.

Over the past 62 years, Taiwan has existed as a separate political entity, possessing all the attributes of an independent sovereign nation, while becoming more economically developed than most countries in the world. Some Western scholars believe that natives of Taiwan, together with a number of Mainlanders who grew up in Taiwan, will occupy the principal positions of power in the government, and the domestic political rationale for clinging to the One-China Principle will dissipate.¹⁷

The DPP is still advocating self-determination for the people of Taiwan, and that

has become the focal issue of political debate in Taiwan. Self-determination has various meanings in political science. In the view of the ROC government, the DPP's self-determination campaign is identified with the Taiwan independence movement. The PRC also share this view.¹⁸

Based on the above points, it is apparent that the Taiwan-Chinese relationship contains a mix of overlapping, as well as competing interests. Politically, the two have common stakes in sovereignty over the Diaoyutai Islands and the South China Sea, as well as a common interest in maintaining the status quo. These factors, along with the ever-increasing economic interdependence, have also become a strong force driving the Cross-Strait relationship forward.

III. Recent Progress in Cross-Strait Relations

Before 2008, the relations between Mainland China and Taiwan were characterized by limited contact, tensions, and instability. Since May 2008 when President Ma Ying-jeou and his nationalist party, the KMT, took power in Taiwan, Ma has taken a pragmatic position towards the Mainland. In the past four years, the possibility of reversing the previous negative spiral has emerged. Ma has even campaigned on the idea that Taiwan could better assure its prosperity, dignity, and security by engaging and reassuring China than provoking it.

The two sides of the Taiwan Strait have undertaken systematic efforts to stabilize their relations and reduce the level of mutual fear. They have made significant progress on the economic front, removing obstacles and facilitating broader cooperation. They restored the “three links”—transportation, commerce, and communications between the two sides, which had been cut off since 1949. Party-to-party talks between the CPC and the KMT have resumed. There has been less progress on the political and security scenes, but this is partly by design. Beijing and

Taipei understand that the necessary mutual trust and consensus on key conceptual issues are lacking, so the two sides have chosen to work first on easier issues and defer the discussion of more sensitive questions.¹⁹

Generally speaking, with regard to Cross-Strait policy, the Ma administration has the highest governing rule of “facing reality, shelving disputes, and pursuing a win-win situation.” At the same time, Taiwan adheres to the principle of “pressing matters before less pressing ones, easily resolved issues before difficult ones, and economics before politics.” As a result, Cross-Strait relations have been improving, and the relationship has been relatively peaceful and stable. This period of substantial and significant improvement is the warmest since 1949. According to an opinion poll released by the Mainland Affairs Council (MAC), 71.79 percent of the Taiwanese public supported continuing negotiations and solving issues between the two sides.²⁰ Precisely speaking, the specific elements of current Taiwanese policies or positions include the following points:

1. In the international community, particularly with respect to maintaining regional collective security, Taiwan should play the role of peacemaker and responsible stakeholder and should not act as a troublemaker.
2. Acting under the framework of the ROC Constitution and upholding the Taiwan Strait status quo of “no unification, no independence, and no use of force,” Taiwan should pursue the peaceful development of the two sides of the strait on the basis of the “1992 Consensus,” with each making its own interpretation of “one China.”
3. In foreign relations, Taiwan should pursue a strategy of “viable diplomacy” in place of “scorched earth diplomacy,” reducing destructive competition and pointless depletion of resources in vying with Beijing on the diplomatic battleground. Instead, the focus should be to strengthen ties with its allies. At

the same time, Taiwan should strive to participate in the activities of international organizations, in order to play a more important role in the global community.

In 1991, each of the two governments set up a quasi-official or semi-governmental body to conduct Cross-Strait negotiations. In Taiwan, the body is called the Strait Exchange Foundation (SEF); the Mainland created the Association for Relations Across the Taiwan Strait (ARATS). These two intermediary entities, popularly referred to as “white gloves,” are both directly led by the Executive Government of each side: the SEF by the MAC of the Executive Yuan of the ROC, and ARATS by the Taiwan Affairs Office of the State Council of the PRC. They are authorized to handle both Cross-Strait matters and sign Cross-Strait agreements. This was a creative political design by the two governments.

The SEF and ARATS held their first meeting in 1993 and their second in 1998, to establish the beginning of Cross-Strait negotiations. Unfortunately, tensions in the Cross-Strait political situation at that time caused their meetings to be held in abeyance for a decade. After President Ma took office in May 2008, the SEF-ARATS institutionalized Cross-Strait negotiations were promptly resurrected the following month.

In the four years up to April of 2012, through seven rounds of high-level talks between the SEF and ARATS, China and Taiwan have signed 16 agreements that have made important contributions to the well-being of the people on both sides of the Taiwan Strait and the benign development of Cross-Strait relations. At present, China is Taiwan’s largest trading partner. China is Taiwan’s largest destination for foreign investment, which is estimated to be about U.S. \$300 billion. China is also Taiwan’s largest source of trade surplus. Demographically, there are currently more than 1.5 million Taiwanese residing in China. In 2010, 1.6 million Chinese visited Taiwan; in

2011, this rose to 1.79 million. This reflects a dramatic increase over time, with Mainland Chinese overtaking the Japanese as the major tourist group to Taiwan. According to estimates by Taiwan's Tourism Bureau, by 2013, there will be 2 million Mainland visitors bringing in some U.S. \$330 million a year by 2013.²¹ In addition, more than 70,000 Taiwanese companies have operations on the Mainland, due to reciprocal trade, investment, and banking ties. In addition, academic and cultural exchanges have become commonplace. There are now even direct flights between cities on both sides of the strait.

In Cross-Strait relations, the two governments are now in direct contact, rather than acting through intermediaries. In a *Time* magazine interview on Jan. 5, 2012 with Editor Zoher Abdoolcarim, President Ma cited a public opinion survey conducted by Taiwan's MAC. The survey showed that 61 percent of respondents believe our signing of agreements with Mainland China has been beneficial to Taiwan, while 29 percent do not think so.²²

In contrast, twenty-some years ago, the people on the two sides of the Taiwan Strait had no contact with each other. There was no contact between the two governments, and there were no mechanisms or channels for jointly dealing with any Cross-Strait problems or issues. The recent decline in hostilities and growing cooperation between China and Taiwan present a win-win situation and also benefit the international community. As already noted, in the past four years, the two sides have negotiated and concluded many agreements on economic and social issues, and this may be called the normalization process of cross-Taiwan Strait social and economic relations, following 62 years of estrangement after the founding of the PRC in 1949.

Among the 16 new agreements, there are the following four prominent features:²³

1. Establish direct Cross-Strait air and sea transportation as well as postal

services, in order to create a sound infrastructure for Cross-Strait connections and dealings.

2. Open Taiwan to tourists and investment from the Mainland to improve the Cross-Strait flow of people, capital, and technology.
3. Institute Cross-Strait cooperation in financial services and agricultural product inspection and quarantine; remove barriers to Cross-Strait financial transactions; and tackle common problems encountered in trade and investment.
4. Launch cooperation in Cross-Strait food safety, medicine and health, joint crime-fighting and mutual judicial assistance as well as humanitarian matters.

The most important of these pacts thus far has been the Economic Cooperation Framework Agreement (ECFA). During the talks leading up to this accord, the Taiwanese people expressed worry regarding open economic relations. For example, the influx of cheaper Mainland goods to the Taiwanese market, particularly the resulting impact of Mainland agricultural goods on Taiwanese farmers, as well as the presence of Mainland workers causing more unemployment on the island were of major concern. The PRC acted to ease these concerns through careful concessions, while the Taiwanese government engaged in numerous publicity initiatives meant to raise support for ECFA. Their efforts have helped light the way towards an agreement, and have thus strengthened the economic ties and development of the two economies. Since the signing of the ECFA in 2010, the Mainland participants have emphasized the implementation of the advantageous agreement to promote economic ties and development.

As regards the political issues, according to a diplomatic cable released by WikiLeaks on August 30, 2009, Taiwan's Vice President Vincent Siew told then AIT (American Institute in Taiwan) Director Stephen Young that, if President Ma

Ying-jeou is reelected in 2012, he plans to engage in political talks and seek a peace treaty to end hostilities with China. Furthermore, he will also try to develop a bilateral military confidence-building mechanism. In a press conference on Oct.17, 2011, Ma stressed that his administration “would only sign a peace agreement under three conditions, i.e., that the peace agreement wins support from nationals, meets the actual needs of the country, and be supervised by the legislature.” Still, the DPP has criticized the annual KMT-CCP summit, which began in 2005, as it was a meeting behind closed doors. In the future, any meeting about a Cross-Strait peace agreement will likely provoke fear and suspicion over an uncertain future.²⁴

Thus, political talks between the Mainland and Taiwan are a very sensitive issue for Taiwan, but have been encouraged by the PRC. The Mainland parties have tried hard to explain why political talks are necessary, the importance of the talks in normalizing cross-strait relations, and that the goal of political talks is to stabilize these ties systematically, emphasizing that the longer term objective of political talks is not unification or separation. The PRC is also trying to pinpoint the major issues and challenges in future political talks.

The other major political issue that has been discussed is security concerns, especially U.S. arms sales to Taiwan and mainland missiles targeting Taiwan. The Mainland understands that military deployment toward Taiwan is a very serious worry in Taiwan and believes that the Mainland side should understand it and do what is necessary to ease Taiwanese security concerns. At the same time, however, the Mainland has also tried to explain to the Taiwanese side that the resolution of this problem can only be the outcome of political talks and a peace agreement that achieves long-term stability. According to this view, before reaching a long-term and systematic peace mechanism, the Mainland side has to rely on military deployment to some degree in order to deter any possible Taiwan movement toward independence,

especially if a pro-independence force such as the DPP comes to power in Taiwan in 2016. The Mainland has also argued that the military deployment along its coast is no longer focusing on Taiwan, but is instead increasingly countering growing American military activities in the Western Pacific, which are certainly a threat to China's national security.

International space for Taiwan has been another major political issue. The PRC understands that the Taiwan government as well as the people and society of Taiwan regard international space and international participation in NGOs as a fundamental interest. While the PRC acknowledges this issue, the Mainland government has also argued that international space/participation is one of the political issues that need to be talked about and resolved through a general agreement between the two sides.

From this logic, since the Taiwan side currently does not want to have political talks, the two sides cannot make a general agreement on international space for Taiwan. If the Mainland can only agree to cooperate with Taiwan based on a case-by-case approach, then it is hardly an overall and satisfactory solution. And, since there has not been a general agreement on new rules, the Mainland foreign affairs ministries can only follow the old rules on "Taiwan international space/participation" issues, which have caused Taiwan problems.

With the 16 agreements on economic and social issues, it is believed that the "normalization process" on economic and social issues across the Taiwan Strait has been basically completed. The remaining work is to implement the agreements and improve them through practice.

In addition to increased economic, cultural, educational, religious, and sporting exchanges, Taiwan has also provided humanitarian aid to the Mainland on several occasions. For instance, Taiwan sent an expert search and rescue team to help survivors of the Sichuan earthquake, while shipments of aid material were also

provided under the co-ordination of the Red Cross Society of the ROC and charities such as Buddhist group Tzu Chi. This aid totaled more than U.S. \$65 million, making Taiwan by far the largest donor to the relief effort. In the past, the PRC has refused to accept aid from the ROC, while the ROC has declined to give assistance. Thus, the humanitarian aid marks a significant change in the Cross-Strait relationship, as the needs of the people overcame the challenges of politics.

As official political talks cannot start soon, the Mainland participants believe that academic community of both sides should now focus on future trends and challenges. While governments work in today's reality, academics should look ahead for the governments and societies.

And, in looking ahead in Cross-Strait relations, there are some reasons for concern. If the DPP regains power in the future, the impact on Cross-Strait relations and the normalization process between the two sides would be fundamental and significant. The relationship may not be reversed, because the existing economic and social accords are in the interests of the people on both sides, and no ruling parties are quite able to act against these established agreements. The relationship may not progress, however, and business may not go as usual, because the two sides may refocus on the differences and conflicts instead. For example, the Mainland insists that the One-China Principle and the 1992 Consensus form the necessary foundation and pre-conditions for official contact, dialogue, and improvement of cross- strait relations. But the DPP's fundamental positions on One China Policy and the 1992 Consensus issue remain clear and strong: that is, the party does not accept nor agree with the concepts. Therefore, if the DPP wins the presidential election in the future, Cross-Strait relations may come to a standstill again, and even the confrontation of a few years ago may resume.

As President Ma and the KMT won a second term on Jan. 14, 2012 with 51.6

percent of the total votes, there is now greater expectation from the Mainland that the two sides should begin political talks around a long-term framework for peace, stability, and development. And whether the two sides can begin political talks and make major progress in political and security issues, such as a peace treaty, a political framework for relations, confidence-building measures (CBMs), greater international space for Taiwan, and post-ECFA economic issues, is highly uncertain, at least for now and in next few years.

At the same time, the ruling parties of the two sides, the KMT and the Communist Party of China (CPC), maintain regular dialogue via the “KMT-CPC Forum.” This has been called a “second rail” in Taiwan, and helps to maintain political understanding and aims for political consensus between them.

In view of current conditions, the two sides indeed are increasing two-way contact, reducing mutual fear, increasing trust and predictability, expanding areas of cooperation, and institutionalizing interaction. This constitutes a shift from the conflicted coexistence of the 1995-2008 periods to a more relaxed atmosphere of coexistence, as both sides have cultivated greater confidence in each other. The improved relations across the Taiwan Strait over the past four years are now at their warmest and steadiest in the past 62 years. China did its best to take a more pragmatic policy and softer approach to Taiwan. Even China has seldom mentioned unification with Taiwan. Yet there is no doubt that many unresolved issues still exist in Cross-Strait relations, particularly with regard to political and military issues, which have not been addressed thus far. Tackling these will involve significant risk management, with careful attention to past history. As President Ma said, “minimizing risk while maximizing opportunity” was the principle behind every policy carried out in this area.²⁵ there is no doubt that President Ma is willing and able to maintain the stability in Cross-Strait relations and create peace and prosperity in the region.

IV. Unresolved Issues of Cross-strait Relations

Although there has been significant progress in Cross-Strait relations, many outstanding political, military, diplomatic, and economic issues persist and remain in the way of a long-term agreement. Specifically, the concerns include the 1992 Consensus, military threat, political ideology, national identities, economic dependence, and diplomatic obstacles. For example, on March 16, 2012, China's Taiwan Affairs Office Director and spokesman, Yang Yi, accused the MAC of often being too passive in the development of Cross-Strait relations when the Pingtan Special Joint Development Project failed to materialize. Yang insisted that there were no political motivations involved.²⁶

A. The One-China Principle and the 1992 Consensus

Since 1949, the political division and political non-recognition between the two sides have made official negotiations impossible. Under the Constitution, the ROC is no doubt a sovereign and independent country. That the Taiwanese people enjoy all the rights and responsibilities of people of a sovereign nation is the greatest consensus between Taiwan's ruling and opposition parties. This is an objective fact that is hard to deny.

This is in direct opposition to the Mainland's interpretation of the One-China Policy. As a result of the 1992 Consensus in Hong Kong, the two sides have reached a tacit understanding that there is only one China, but both sides agree to verbally express the meaning of that one China according to their own individual definitions. On March 26, 2008 Chinese Premier Hu Jintao had a telephone conversation with then U.S. President George W. Bush. Hu said that "it is China's consistent stance that the Chinese Mainland and Taiwan should restore consultation and talks on the basis of the 1992 Consensus, which sees both sides recognizing only one China, but agreeing

to differ on its definition.” In any case, although this concept is still by definition ambiguous and unclear, it serves its purpose. The two governments abide by the notion of “one China,” the definition of which they deliberately leave vague so as to reduce bilateral tension. The main implication is that two the put aside political disputes. They do not argue about the principle of one China directly any more, rather focusing on substantial negotiations and cooperation instead. It is indeed a creative idea for Cross-Strait relations.

On September 2, 2008 President Ma was interviewed by the Mexico-based newspaper *Sol de Mexico* and he was asked about his views on the subject of two Chinas and if there is a solution for the sovereignty issues between the two. Ma replied that the relations are neither between two Chinas nor two states. It is a special relationship. Further, he stated that the sovereignty issues between the two cannot be resolved at present, but he quoted the 1992 Consensus, currently accepted by both sides, as a temporary measure until a solution becomes available.

China continues to stress that “the 1992 Consensus” is the fundamental foundation of negotiation for both sides. For instance, when President Ma Ying-jeou’s Asia-Pacific Economic Cooperation (APEC) envoy Lien Chan (former ROC Vice President and current honorary KMT chairman) met Chinese President Hu Jintao in Honolulu, Hawaii on Nov. 12, 2011, Hu said both sides should maintain the 1992 Consensus and safeguard the peaceful development of Cross-Strait ties. Lien similarly emphasized that the 1992 Consensus is the cornerstone of Cross-Strait relations because it allows flexibility in different interpretations of the meaning of “one China.” In March 2012, when Chinese Premier Wen presented his annual “Report on the Work of the Government” at the National People’s Congress, he stressed opposing Taiwan independence and accepting the 1992 Consensus to consolidate and promote peaceful development of Cross-Strait relations.²⁷

There is no doubt that this has been the basis for all Taiwan-China relations since President Ma took office in 2008. Although the 1992 Consensus provides some economic benefits to Taiwan, in practice, it is also a powerful way of restricting and pressuring Taiwan politically. In effect, it prevents Taiwan from joining various international agreements and organizations.

To address this predicament, the Ma administration has proposed that Taiwan participate in select UN bodies as an observer under the name of Chinese Taipei with official government representation. This was the approach Taiwan used to participate in the World Health Assembly (WHA), and it is known as the “WHA model.” There seems to be a perception both within Taiwan and internationally, however, that connecting “Taiwan” with the UN is a taboo subject that will not only upset the current rapprochement across the Taiwan Strait, but also disturb peace across the Asia-Pacific region. As a result, the issue of Taiwan’s engagement with the UN seems to have become “the subject that must not be broached” in Taiwanese policy circles. Regardless of whether the suspicion is warranted, Taiwan has every right to seek full member status in the UN given that it is a sovereign nation that satisfies all four criteria of the Montevideo Convention for statehood under customary international law.²⁸

It is important to pay attention to the DPP’s position or policy towards the 1992 Consensus. Former DPP Chairperson Dr. Tsai Ing-wen has said, “As soon as the DPP regains power, it will reject the 1992 Consensus.”²⁹ In fact, she has argued that the 1992 Consensus has never existed. Similarly, DPP Mainland Affairs executive member Lai I-chung published an article titled “One China Doesn’t Favor Taiwan” in the *Taipei Times* on June 30, 2011. He argued that it will only accelerate the erosion of Taiwan’s sovereignty. Under the One-China Principle, what China wanted was for Taiwan to admit that Taiwan was a part of China.

This partisan contention between the KMT and the DPP over the 1992 Consensus was a critical factor in the presidential election of January 2012. After the election, Tsai announced she would resign by the end of February, but before stepping down, she instructed her staff to research and report on why the DPP failed to win in the polls. While the KMT and some local media outlets have branded Ma's victory as a referendum on the 1992 Consensus, some DPP members have also expressed anxiety over whether the party should initiate an internal debate on the direction of its China policy. In sum, the DPP adjustment of its China policy direction requires more careful and strategic thinking. Thus, it is now difficult to predict the future of the DPP's China policy and its attitude to the 1992 Consensus.³⁰

The impact of the DPP's approach to China could be dramatic. For example, during a news briefing on Dec. 14, 2011m Beijing's Taiwan Affairs Office spokesman Yang Yi said, "If the DPP denies the 1992 Consensus, then anything else they say is just empty talk, and there is no way Cross-Strait dialogue can happen."³¹

Tsai perhaps lost the 2012 presidential election due to her strict stance in denying the 1992 Consensus, and this is a bitter lesson for her party. In my view, the DPP will review its policy and face this reality by moderating its position. Because the KMT and one million Taiwanese businessmen in China, as well as both the Chinese and American governments all accept the 1992 Consensus, all forces are essentially pushing for change in this direction. For the sake of a 2016 presidential victory, the DPP will most probably adjust its approach.³²

B. China's military threat against Taiwan

The two Chinese governments were in a state of war until 1979. Although Cross-Strait relations are now at a reconciliation point, the increased business, civilian, cultural, and political contacts do not provide an absolute guarantee against war.

Many in Taiwan remain skeptical of China's real motives, especially since the NPC in China passed its anti-secession law in March 2005, formalizing "non-peaceful means" as a possible response to a declaration of independence in Taiwan. At the same time, China is spending tens of billions of dollars to modernize its military and to deploy hundreds of missiles. In sum, Taiwan is regarded by Beijing as a renegade province that must return to the mother country, by force if necessary.

Despite Chinese diplomatic and media efforts to portray an easing of military tension with Taiwan, the military build-up against Taiwan continues unimpeded. Indeed, as of the end of 2010, China had nearly 2,000 missiles pointed at Taiwan.³³ Therefore, Taiwan lacks a sense of security, and, as a result, clashes between China and Taiwan remain possible. Even if the threats do not erupt into a conflict, the presence of this military threat itself makes political negotiations difficult. Pervasive fear and uncertainty will not benefit either side or the international parties, such as the United States, who are invested in a peaceful relationship.

In terms of military capability and intentions, China may decide to use force to safeguard its sovereignty and territorial integrity with respect to Taiwan, Tibet, and the South China Sea. Beijing has never renounced its sovereign rights to use force to achieve this goal. From the historical perspective, on numerous occasions—in Korea, in the Taiwan Strait, along the Sino-Soviet and Sino-Indian frontiers, and in Vietnam—they have shown that they are willing to use their limited conventional military resources in active support of their foreign policy goals, even against more powerful adversaries.

The gross military imbalance between China and Taiwan is clearly in favor of China. China regards Taiwan as a part of its territory and one that remains critical to Beijing's defense strategy. At the same time, Beijing plans to include the South China Sea in its sphere of influence. For instance, at a meeting with Southeast Asian leaders

ahead of the wider East Asian Summit in Bali, Indonesia, on Nov. 18, 2011, Premier Wen Jiabao declared that the South China Sea dispute should be off-limits during the talks and also warned that external forces should not use any excuses to interfere.³⁴ Wen's so-called external forces surely refer to the United States.

In 2012, China's defense budget will rise 11.2 percent to U.S. \$106 billion. The Chinese People's Liberation Army (PLA)—the world's largest, with an estimated 2.3 million troops—has invested heavily in acquiring and developing A2/AD technologies, including development of the Dong-Feng 21D land-based anti-ship ballistic missile. If China attempts to take Taiwan by military force, those capabilities would be essential for the PLA to use in order to delay or prevent U.S. entry into the conflict on Taiwan's side.³⁵ Moreover, Chinese cyber-warfare could pose a genuine risk to the U.S. military in a conflict, as in a struggle over Taiwan or in a dispute over the South China Sea. On Oct. 5, 2011, before a House of Representatives Committee on Foreign Affairs hearing on "Why Taiwan Matters," U.S. Acting Assistant Secretary of Defense for Asian and Pacific Security Peter Lavoy said, "China has 1,500 short-range and medium-range ballistic missiles as well as land-attack cruise missiles targeting Taiwan." So far, China has never reduced the number of missiles aimed at Taiwan.³⁶

Thus, in order to protect itself, according to a report by the Sweden Institute for War and Peace, Taiwan was the third largest buyer of U.S. arms, just behind Saudi Arabia and India, in 2010. In 2011, Taiwan became the second largest, spending U.S. \$4.9 billion in the fiscal year. Over the last three and a half years, the United States sold Taiwan U.S. \$18.3 billion worth of weapons of a defensive nature in three separate packages. This is the largest dollar amount of weaponry sold to Taiwan by the United States in more than a decade.³⁷ In the near future, Taiwan will continue to buy 66 F-16 C/D jet fighters and three diesel submarines from the United States. Moreover, due to fact that there has been little chance of direct U.S. submarine sales

to Taiwan, Taiwanese military sources admit that research on submarine-building has been launched and that the Taiwanese navy is also trying to embark on a domestic submarine program in 2013, with a prototype to be delivered within three to four years.³⁸

Based upon a preventive defense principle, Taiwan seeks to maintain small but capable or credible deterrence as a form of national defense in order to raise the costs of any coercion. The goal of the Taiwanese armed forces is to ensure some degree of deterrence and to prevent enemies from landing and establishing a beachhead. At the same time, Washington is obliged, through Congress's 1979 Taiwan Relations Act, to help arm Taiwan and improve Taiwan's deterrent. This brings the United States into potential conflict with China. In this regard, the United States made clear its opposition to any "unilateral change of status quo." This means, for Taiwan, no support of Taiwan independence and, for China, opposition to the use of force.

Given the recent progress in Cross-Strait relations, one may believe that a military conflict is unlikely. This is not the case, however, as both sides have continued to build up military capabilities and defenses. The possibility of a military conflict continues to exist as threats of force remain obstacles to the signing of peace agreements. This potential for violent conflict creates a great sense of uncertainty, at the same time making Taiwan wary of negotiations while living under a serious imbalance in military strength.

But there have recently been relevant remarks on the Mainland side about withdrawing the missiles. Taiwan hopes that China can put its words into action and carry this out as soon as possible in order to underpin Cross-Strait and regional peace. True peace should not be subject to any precondition. The Taiwanese people hold the view that Mainland China should act on its own initiative to withdraw the weapons aimed at Taiwan. This is the only true way to display good will and is the solemn

demand and just expectation of the Taiwanese people.

Regarding the signing of a peace pact between China and Taiwan, former MAC Chairman Chen Ming-tong was interviewed by the *Taipei Times* on Nov. 20, 2011. Chen stated that, based on Beijing's continued emphasis on the term "peaceful unification," it seems that Beijing believes that only unification would bring peace. Therefore, one of the risks of signing Cross-Strait peace accords under the so-called 1992 Consensus is that Taiwan may face eventual unification.³⁹

C. Chinese opposition to U.S. arms sales to Taiwan

In November of 2011, U.S. Secretary of State Clinton made a speech in Hawaii, in which she said, "Taiwan is an important security and economic partner of the United States."⁴⁰ According to the Taiwan Relations Act (TRA) of 1979, the United States treats Taiwan as a de facto state and declares its continued security and prosperity to be of great importance to the United States. Thus, U.S. administrations have supplied Taiwan with weapons needed to defend Taiwan against possible attack.

A strong and stable relationship with the United States is undoubtedly at the center of Taiwan's overall foreign relations. Taipei has been heavily dependent on Washington's political support, security commitment, arms sales, and so on. This dependence is expected to remain unchanged in the foreseeable future. As far as U.S. policy on Taiwan is concerned, the United States made it known to the ROC on July 14, 1982 as follows⁴¹:

1. The United States will not set a date for ending arms sales to the ROC.
2. The United States will not hold prior consultations with the PRC on arms sales to the ROC.
3. The United States will not play any mediation role between Taipei and Beijing.
4. The United States has not agreed to revise the TRA.

5. The United States has not altered its position regarding sovereignty over Taiwan.
6. The United States will not exert pressure on the ROC to enter into negotiations with the PRC.

Because of the potential military threat of China against Taiwan and the military imbalance between the two sides, military asymmetry currently in Beijing's favor. Taiwan has continued to purchase weapons from the United States, which has agreed to give support. Based on issues of sovereignty, however, mainland China will continue to oppose the U.S. sale of weapons to Taiwan, creating another point of contention. Moreover, it is unclear whether these guarantees of U.S. support will continue to exist in the future. In addition, whether the six guarantees cited above will have binding force remains uncertain.

D. Taiwan's democratization

While economic relations have improved between the ROC and the PRC, political divisions remain just as great as before, as democracy has already become a fundamental way of life for the Taiwanese people. This dramatic difference serves as an obstacle towards political reconciliation.

After three decades of democratic reform, Taiwan is hailed as a successful story of democratization. Taiwan lifted martial law and the ban on political parties and the press in 1987. Taiwan held its first direct presidential election in 1996. Since then, Taiwan has held four more presidential elections—in 2000, 2004, 2008 and 2012, each resulting in a peaceful transition of power. According to *The Economist's* Index of Democracy, Taiwan ranks eighth in the world with regard to civil liberties, electoral process, and political pluralism.⁴²

As Ma stated unequivocally in his inauguration address on May 20, 2008: "The key to finally resolving Cross-Strait issues lies not in dispute over sovereignty, but in

the way of life and core values.” The process of promoting Cross-Strait relations in Taiwan’s society has heightened belief in Ma’s position that “democracy is the yardstick for measuring the distance between the two sides.” The Taiwanese people have already grown accustomed to having a pluralist democracy and using democratic institutions to resolve political disputes. For example, Taiwan has two highly competitive political camps, the “blue” and the “green” parties that both challenge one another and cooperate to improve the democracy. The two camps continue to pursue legislative and judicial reforms so that there are appropriate checks and balances to solidify a real democracy. Thus, maintaining a democracy is Taiwan’s most basic prerequisite in addressing Cross-Strait relations.

In contrast, generally speaking, the CCP has remained in power as China’s ruling party. It had 80.3 million members as of 2011 and has been able to promote prosperity, raise living standards, guard against instability, and achieve remarkable economic development in the past decades. China’s political and economic systems, however, are incompatible with one another, leading to expectation and speculation that some political change may be necessary. At the NPC on March 14, 2012, Chinese Premier Wen Jiabao called for vague political reforms to forestall chaos and solidify growth. Wen offered no specific proposals, only saying that reform had to adhere to China’s particular national circumstances and proceed in a step-by-step manner. In fact, the human rights and democratic developments of China clearly have a huge gap relative to Taiwan’s record. At the same time, China must stop its oppression of Tibet and Xinjiang. For any hope of political compromise in the future, this divide serves as a major obstacle and must be addressed as a prerequisite. As far as Taiwan’s position is concerned, Taiwan is adamant that no development in Cross-Strait relations and no connection between the two sides will or can be allowed to harm the democratic way of life of the Taiwanese people.

E. Asserting Taiwan-centered national identities

Because Taiwan is a highly democratic society, Cross-Strait issues are extremely contentious. The people are easily torn apart by differences of opinion. Both the ruling and opposition parties in Taiwan agree that any official position concerning Cross-Strait relations must be based on the social consensus of its 23 million citizens. Safeguarding Taiwan's sovereignty is the highest common denominator that is accepted by Taiwan's ruling and opposition camps. While the 23 million citizens of Taiwan are certainly able to choose the appropriate course of action, there is a lack of a clear consensus resulting from competing identities and sentiments within Taiwan.

After the long separation of over 62 years between the two sides of the Taiwan Strait, there is a greater sense of a Taiwanese identity. As a result, some cultural biases and ideological differences exist in the form of some anti-communism or anti-China sentiments or sometimes conflating the two. According to national surveys by the Taiwanese government, approximately 35 percent of the population is hostile to Mainland China, seeking complete independence.⁴³ The existence of this fundamentalist group is a major obstacle to improving the Cross-Strait relations.

In response to the presence of this fundamentalist group is the PRC's new strategy to build support in the segments of the Taiwanese population that may be opposed to the Mainland. For example, Taiwanese scholars warn that the current situation of the Taiwanese media is similar to that of Hong Kong and Macau's media before their handover to China. In the late 1990s, Beijing bribed, sweet-talked, and threatened the media in the two colonies to promote its propaganda and "brainwash" people. While "brainwashing" is a serious accusation, much of Taiwan's media is nonetheless owned by tycoons with large investments in China, resulting in increasingly pro-China and Chinese influences on the local media.⁴⁴ Thus, Taiwan is also vulnerable to an invisible hand attempting to shape the course of national

identities within Taiwan.

Critically, the two main camps of the Taiwanese democracy thus far have been unable to reach a consensus on the Taiwan-China issue. The ideologies of the KMT and DPP are dramatically different with regard to China and are in constant competition, reflecting the disparate viewpoints within the population. The development of national and political identities in Taiwan may help define the trajectory of Cross-Strait relations. In the past four years, President Ma's highest guiding principle in his approach to Mainland policy is putting Taiwan first for the benefit of the Taiwanese people. "Putting Taiwan first" means upholding Taiwan's identity. "For the benefit of the people" means that the fruits of Cross-Strait connections and negotiations must be shared by all of the people.

However, Ma believes that Taiwanese identity does not equate to Taiwanese independence. Taiwanese identity and peaceful Cross-Strait development can co-exist in harmony and are not mutually exclusive. Actually, Taiwanese identity refers to the concerns of the Taiwanese people with regard to security, dignity, and international living space. The presidential election results of 2012 showed that the majority of the people in the southern parts of Taiwan took a very practical attitude towards Ma's Mainland policy. On the one hand, they are glad to have business relations with the Mainland economically and reap the benefits; on the other hand, they stress a strong Taiwanese identity and oppose China politically and electorally.

Thus, due to Taiwan's pluralism, Taiwan's domestic politics pose a major obstacle. The opposition party and opponents always question if the government is forfeiting Taiwan's sovereignty and pandering to China while selling out Taiwan. Faced with these kinds of militant and provocative political attitudes, Taiwan's government is indeed in a difficult position.

F. Taiwan's export-dependence on the Chinese market

As of 2011, Taiwan's economy ranked as the 19th largest in the world, in spite of its small size. But the national economy depends heavily on imports. According to government estimates, Taiwan has the world's fourth largest foreign exchange reserves at U.S. \$390.3 billion, has no foreign debt, and a low unemployment rate of 4.18 percent, along with an expected growth rate of 3.85 percent in 2012. This economic success, however, is dependent on exports, as reflected in Taiwan's total foreign trade volume of U.S. \$589.9 billion in 2011.

As a result of this export dependence, Taiwan's economy depends on the international trade regime and remains vulnerable to current downturns with the European sovereign crisis in the world economy and other external factors. In a presentation on March 15, 2011 in Singapore, Professor Charles H.C. Kao indicated that, in 2010, Taiwan's exports to China including Hong Kong reached a record high of U.S. \$114.7 billion, accounting for 41.8 percent of the Taiwan's total exports. As a result, Taiwan benefitted from a trade surplus of U.S. \$71.7 billion. The import volume from China was U.S. \$37.5. In addition, total export and import trade volume was U.S. \$152.3 billion, 29 percent of Taiwan's total trade. In 2010, China was Taiwan's largest trade partner, Taiwan's largest investment destination, and Taiwan's largest source of trade surplus. In 2011, China remained Taiwan's No. 1 trading partner, with approximately 70 percent of Taiwan's foreign trade relying on China's markets. In addition, Taiwan's businesses have invested more than U.S. \$100 billion in China. Thus, interdependence with the Chinese Mainland is somewhat one-way.

Under the present circumstances, Taiwan should attend to its economic over-reliance on China and seek measures to address this issue with respect to potential political ramifications.⁴⁵ In particular, this situation is causing Taiwan to lose leverage in the long run in negotiations. In fact, the issue was discussed heatedly by

the government and academic and business sectors in the 1990's when economic and trade relations between Taiwan and China had just started warming up. At that time, there was a widely accepted principle that Taiwan's exports to China should not exceed 30 percent of its total.⁴⁶

Clearly, the problem of economic over-reliance on China has not only persisted, but also multiplied in magnitude. It is an irreversible trend that Taiwan and China will continue expanding their economic and trade exchanges, particularly after the 2010 signing of the ECFA, which came into effect on Jan. 1, 2011. Under this agreement, Taiwan has gained concessions from China in the form of reduced import duties, which is expected to give a further boost to Taiwan's exports to China. The forecasted increase in trade is expected to be U.S. \$150 billion in volume over the next three years.⁴⁷ While this provides economic benefits to Taiwan in the near future, it could only exacerbate Taiwan's over-dependence.

This situation may also be problematic from an economic standpoint. Since 2008, China's export markets in Europe and the United States are shrinking because of severe economic problems in these countries. At the same time, China's GDP growth rate in 2012 will drop to 7.5 percent after aiming for 8 percent for each of the last eight years. Further, despite heavy U.S. pressure to revalue its currency, China refuses to freely float its currency, and, thus, the U.S. protectionism is rising. In addition, because of China's domestic economic bubble and inflationary pressures causing economic uncertainty and the stirrings of middle-class discontent, labor unrest in China has put an upward pressure on wages. Due to economic problems in Mainland China, the competitive advantage that has existed for decades might diminish as labor costs rise, while demand falls due to the economic slowdown. As a result, the export-driven growth strategy of the past 30 years may not be as attractive as it once was.

Based on these international factors and domestic concerns, there are many reasons for optimism about Taiwan's economic outlook. Yet Taiwan needs to minimize its risks. To reduce the market risks from China's economic fluctuations, Taiwan needs to expand and diversify to other export markets outside of China. At the same time, Taiwan must commit itself to the longstanding goal of reducing the share of trade with China. Relative to trade history, Taiwan should have a goal of reducing the share of its total exports to China to below 50 percent.

G. The current status quo issue

As far as China's official position is concerned, it is inevitable that China and Taiwan will be united in the future. In recent years, China's approach to Taiwan has been calculated. President Hu Jintao shifted the priority from achieving unification in the near or medium term to simply opposing Taiwan independence, although unification remains the long-term goal. At this stage, the Beijing leadership recognizes that the two sides must build mutual trust through dialogue and exchanges after a decade-plus of mutual suspicion. China has so far tolerated the Ma administration's quite ambiguous approach to the Cross-Strait issue. The current status quo of Cross-Strait relations, however, cannot be maintained indefinitely.

The precondition for the status quo depends upon two important elements: 1) China must have a tolerant attitude and policy towards the status quo and 2) Taiwan's ruling party KMT must continue to be in power unless the DPP moves to moderate its position towards Mainland China. President Ma was interviewed by *Time* magazine on Nov. 13, 2011 about why the Taiwanese voters should support his re-election bid of 2012. He said he changed Taiwan, and Taiwan has undergone great transformation under his administration. In particular, his administration was responsible for improving Cross-Strait relations and bringing peace across the Taiwan Strait.⁴⁸ If the

DPP wins the election in the future, the status quo will probably be difficult to maintain due to the fact that China and the DPP lack mutual confidence and trust.

Regarding perceptions about the status quo, the two sides of the Taiwan Strait are quite different. There is no question that China has different expectations for Cross-Strait relations than does Taiwan. In Chinese press commentary, writers regularly express the belief that economic integration will lead to a fairly quick political reconciliation. In the summer of 2011, there was a very interesting poll by the PRC in which people on each side were asked what was likely to happen over the long term. In Taiwan, 60 percent of the respondents believed that the status quo would persist, while 65 percent of the PRC respondents said that the two sides would unify as one nation. In sum, the Taiwanese people prefer stabilization, while the Mainland population expects to see a resolution on Beijing's terms.⁴⁹

As far as Chinese leadership is concerned, they certainly regard unification as the ultimate outcome, and they give no hint of any deviation from the stance of "one country, two systems." On the other hand, there is an appreciation that this is a protracted and complex process. What is important in the short and medium term is that nothing shall negate the possibility of unification. As long as the door to unification remains open, patience is possible. It is when Beijing sees that door closing that it may be moved to take greater action. Thus, growing emphasis is focused on preventing Taiwanese independence. If the danger of Taiwan independence is low, the leadership can wait for political integration.⁵⁰ Yet how much longer Taiwan can uphold its ambiguous status quo in the international arena remains a question.

H. Diplomatic obstacles

Due to the One-China Policy, Taiwan's international status has been in limbo for

decades. At present, Taiwan has diplomatic relations with only 23 countries, making it the most isolated country in the world. China insists that, if a country recognizes Mainland China, it cannot have diplomatic or official relations with Taiwan. To address this diplomatic isolation, the ROC has maintained cultural and trade offices in more than 60 countries in order to improve substantive relations. At present, 126 countries and areas in the world provide visa-waiver programs to Taiwan.

Since May of 2008, Taiwan's President Ma has called for a "diplomatic truce" to end the zero-sum competition or a longstanding tug-of-war with China in the international arena. In other words, Taiwan would not compete with China over establishing diplomatic relations with other countries. This practice has continued without any disruption. While there is no formal written agreement between Taipei and Beijing, there can be informal, understood arrangements between the two sides. From the standpoint of Beijing, Taiwan's having international space does not equate to Taiwan's having diplomatic space. In the short run, this truce for both Taiwan and China stops the poaching of each other's diplomatic allies through offers of large sums of foreign aid. In the long run, however, Taiwan will be in a state of passive inaction, which amounts to abandoning Taiwan's dynamism.⁵¹

The Beijing policymaking circle is divided on this diplomatic truce. According to a Wikileaks cable from the U.S. Embassy in Beijing, dated Jan. 16, 2009, the Chinese diplomatic service was unhappy with and opposed to what was interpreted as Chinese President Hu Jintao's "tacit acceptance" of the strategy advocated by President Ma. At the same time, President Hu delivered a Dec. 31, 2009 New Year's message to Taiwan compatriots. In this speech, he stressed that "avoiding internal strife in external affairs is conducive to furthering the overall interests of the Chinese nation." Thus, how this strategy can be carried out and maintained in the future remains uncertain. In practice, China has obstructed Taiwan's cooperation with the international community, tried to

downgrade its participation in non-government organizations in terms of its name and status, and actively built up its economic and trade relations with Taiwan's diplomatic allies. Taiwan is still encountering obstacles erected by Beijing while attempting to negotiate free-trade agreements with other countries.⁵²

Regarding the relations between Taiwan and the United States, while there are close economic and political relations between the two, there is no diplomatic link. Based on U.S. national interests, the American government prefers to see Cross-Strait relations adhering to the status quo. In spite of the lack of official relations, however, there have been numerous visits to Taiwan by high-level U.S. officials. In 2011, for example, this list included the Assistant Secretary of Commerce Suresh Kumar, administrator of the U.S. Agency for International Development Rajiv Shah and U.S. Deputy Secretary of Energy Daniel Poneman. In addition, U.S. Undersecretary of Commerce for International Trade Francisco Sanchez is expected to visit Taiwan in 2012.⁵³ And the United States will resume the economic talks under the Trade and Investment Framework Agreement (TIFA) with Taiwan after they sort out the issue of U.S. beef market access to Taiwan. At the same time, the United States is currently reviewing the passage of a visa-waiver program, and this is expected to pass by the end of 2012, a sign of closer relations between the two.

The United States has also expressed a desire to have a greater presence in the Asia-Pacific, which provides an opportunity for Taiwan to improve relations further. In November 2011, U.S. Secretary of State Clinton published an article, "America's Pacific Century," in *Foreign Policy*, declaring the U.S. determination to return to Asia, while U.S. President Barack Obama intends to use the Trans-Pacific Partnership (TPP) to coordinate the major U.S. allies in the Asian-Pacific region, such as Japan, South Korea, the Philippines, Australia, and New Zealand. The United States likely intends to counterbalance China with the TPP-the world's largest free trade economic

community. Washington's perceptions and attitudes toward the rise of China are complex and complicated. China is, after all, the only country that has the prospect of challenging America's power and economic strength in the foreseeable future. The United States believes that the presence of the U.S. military in East Asia serves as a deterrent against potentially hostile states and helps maintain regional peace and stability. China, of course, does not embrace this rationale for the deployment of U.S. forward military.⁵⁴ Regionally, Japan also regards North Korea and China as potential threats. It is worthwhile to note that the United States and even Japan perhaps see a divided China as serving their long-term national interests.

At the 2011 APEC summit in Honolulu, Taiwan expressed interest in joining the TPP.⁵⁵ Due to the fact that Taiwan is a Pacific economic power and also an APEC member, Taiwan should join this comprehensive, regional, economic integration agreement to further consolidate U.S.-Taiwan relations. Taiwan's admission to the TPP can also lessen its economic dependence on China. Thus, the advantages of joining the TPP cannot be fully understood from a single economic perspective, but need to be evaluated from a range of geopolitical, economic, and security factors.⁵⁶ Yet, the major obstacle will be China's and the U.S. attitude in the future with regard to Taiwan's participation.

Despite the right and the desire of the Taiwanese people to participate meaningfully in the international community, the diplomatic isolation imposed by the PRC entails exclusion from international organizations. Being accepted by the international community remains an important goal for the Taiwanese people. For example, Taiwan is currently pushing for admission to the International Civil Aviation Organization (ICAO) and the United Nations Framework Convention on Climate Change (UNFCCC). As a member of the global community, Taiwan hopes it can gain greater approval and support for this basic right in the international sphere. There has

been no progress, however, due to the sovereignty issue as the PRC denies Taiwan's right to participate.

On the other hand, as a result of some improvement of Cross-Strait relations, Taiwan's international relations are also progressing to a certain degree. For instance, Taiwan has succeeded in gaining admission to the WHA and becoming a member of the WTO Agreement on Government Procurement (GPA). Besides, Taiwan has been able to negotiate free trade agreements with Singapore and New Zealand. In addition, Taiwan maintains friendly ties with Japan. In March 2011, in the wake of a powerful earthquake and tsunami, Taiwan donated U.S. \$224 million to Japan; this was the largest in the world. Taiwan also just signed an investment pact with Japan in September 2011. At the same time, Taiwan and Japan signed an open skies agreement on Nov. 10, 2011, with the purpose of deregulating air traffic. Most importantly, the agreement gives each other the fifth freedom or the "beyond rights," to cross the airspace over each other's territory. The open skies agreement was integrated into a revision of the larger Taiwan-Japanese Aviation Agreement. This agreement has made Taiwan and Japan closer partners.⁵⁷ Thus, despite the restrictions imposed by the One-China Policy, Taiwan has made some significant gains in attempting to break through the isolation imposed by the international community.

To conclude, Taiwan has been severely limited in terms of diplomatic relations and participation in international organizations due to the One-China Policy. There have been some recent improvements, however, evidenced by growing ties with Japan, Singapore, and New Zealand, as well as a possibility for further international engagement, such as admission to the strategic TPP. While Taiwan hopes for greater opportunities and international presence, this is highly dependent on the receptiveness of the international community. At the same time, Taiwan has to remain aware that Cross-Strait rapprochement could increase U.S. worries over its cooperation with

Taiwan in the military and intelligence fields, potentially raising questions about future support for Taiwan. Taiwan has to build its friendship with the United States based on Taiwan's freedom, democratic achievements, and common values. Taiwan must also present more convincing arguments to persuade the United States to continue to sell Taiwan military arms and make Cross-Strait interactions as transparent as possible to ensure mutual trust, with the understanding that, although Taiwan is improving its relations with China, this does not at all entail unification with China.

V. A Vision of Peaceful Coexistence for the Future.

MAC Minister Lai Shin-yuan, gave a speech at the British Royal Institute of International Affairs on September 8, 2011 on the future of Taiwan and China. She stated that both sides will continue to pursue institutionalized Cross-Strait negotiations, and this pursuit will coalesce into the building of peace in the Taiwan Strait and perhaps even into a force for regional peace.

The negotiating agenda will likely include creating ECFA follow-up agreements on goods trade, service trade, investment, and dispute settlement as well as negotiations on other matters of common concern to the two sides. In the future, it is believed the following matters will be focal points:

1. The SEF of Taiwan and ARATS of China shall set up representative offices with each other. The two sides shall establish offices in the respective capitals to handle Cross-Strait relations and to issue visas directly. In this regard, China's ARATS Director Chen Yunlin already proposed this idea to Taiwan on March 10, 2012, but thus far, the Taiwanese government appears to be indifferent. In my view, President Ma should dispel domestic political pressure and make a quick decision agreeing to the representative office

exchange.

2. As to signing Cross-Strait financial agreements and expanding the ECFA, Investment protection and promotion agreements, currency settlement agreements, and service trade deals as well as other relevant financial services and high-tech industries should be possible within two years. The two sides shall continue to expand and deepen economic relations. Since the signing of the ECFA in 2010, thus far only 539 items have been recorded on the “early harvest list.” which was only 16 % of the Taiwan’s export items. Continuing ECFA follow-up agreements on goods trade, services trade, investment, and dispute settlement, as well as negotiations on other matters of common concern to the two sides would be difficult, because this would involve an adjustment of interests of both sides. Meanwhile, China launched negotiations with the 10 ASEAN member countries on tariff reductions in 2011, and it is also set to sign bilateral trade agreements with Japan and South Korea. This will force Taiwan to continue to negotiate with China about expanding the ECFA further. Otherwise, it will limit Taiwan from taking advantage of cutting more tariffs for its export economy.⁵⁸
3. With regard to promoting Cross-Strait educational and touristic exchange, in education, the Ministry of Education (MOE) of Taiwan shall review restrictions on Chinese students. Since September 2011, the MOE has opened its doors to Chinese students studying at local universities and colleges. Yet due to strong DPP objections, the MOE was forced to set the “two limits and five no’s” policy for the recruitment of Chinese students. These include limits on the types of Chinese diplomas that are recognized in Taiwan, the types of admissible schools, number of acceptances, eligible departments of study, scholarships, professional licenses, working rights in Taiwan, and health

insurance. In practice, while the official maximum number of Chinese students allowed to studying in Taiwan is 2,000, only 928 have registered. Because Taiwan imposes so many restrictions, many top Chinese students are likely not to choose to study in Taiwan. Thus, as a result of the unreasonable limits, the policy may not be beneficial to Taiwan, and this ultimately defeats the purpose of the program. Therefore, in the near future, Taiwan should make possible adjustments to the policy.⁵⁹ Future generations on the two sides must have a more complete understanding, as well as a better perception of each other. Looking ahead, economic-based interactions should shift to culture-based engagements to utilize Taiwan's soft power to influence China, especially the younger generations, to enhance the sense of identification with Chinese culture.

With regard to the individual tourist program, reforms are also necessary. Currently, the ceiling on the daily number of individual Chinese tourists allowed to visit Taiwan is capped at just 500. In contrast, China has no limit on the number of Taiwanese tourists visiting China. From this perspective, the Taiwanese stance is unwarranted and needs adjustments. By the same token, Taiwan has to be very careful in handling the exchanges between the two sides to make sure that Taiwan's national security is not endangered.

4. In terms of reconciling the relations between the CCP and the DPP, after the 2012 presidential defeat, the DPP published a report calling for a more careful and strategic evaluation of its China policy and pledged to improve its ties with China. Only through increased interaction and engagement with various Chinese social sectors can the DPP create rapprochement with China. The DPP's extending an olive branch is fundamental to a long-term agreement in the future. For instance, DPP spokesperson Lo Chih-cheng

became the first DPP official to visit Yunnan, China, when attending an academic forum on Cross-Strait relations. Before his departure on March 15, 2012, he received formal permission from the DPP.⁶⁰

It is equally important for China to engage and have better understanding about the DPP in the future. Mainland China has drafted three new policy guidelines for cross-Taiwan engagements in the wake of the Jan. 14 presidential and legislative elections. These strategies involve Beijing's: a) expanding its outreach to Taiwanese people of diverse party affiliations and backgrounds, particularly from southern Taiwan, b) having greater presence in the Taiwanese news media, and c) helping China-based Taiwanese companies upgrade operations and resolve trade disputes as well as taking care of small and medium-sized Taiwanese enterprises and less privileged workers.

Furthermore, China will pursue cultural exchanges with the goal of getting the people of Taiwan, especially the young, to identify more closely with the Chinese nation and culture. For instance, Zheng Lizhong, the Deputy Chairman of the Association for Relations across the Taiwan Strait, visited Taiwan from Feb. 11-21, 2012. He is Beijing's No. 2 Cross-Strait negotiator, and has now traveled extensively to about 340 towns, villages, and cities, including farming and fishing villages in southern Taiwan, a DPP stronghold. Taking a different approach relative to previous visits, he met with local farmers and aquaculture operators in an effort to build support. There is no doubt his visit was part of China's new strategic approach to influence Taiwanese public opinion.

This is juxtaposed against the agenda of the DPP, which has been to de-emphasize Taiwan's cultural and historical links with China, promote the

teaching of Taiwanese history rather than Chinese history in schools, support the public use of dialects rather than the official Mandarin, and also encourage people to identify themselves as Taiwanese rather than Chinese.⁶¹ In fact, I look forward to seeing the DPP interact more with China to build mutual understanding. Without direct contacts or bilateral dialogue with China, the DPP will have difficulty working out an appropriate policy towards the Mainland.

5. The CCP shall make political reforms and change its political approach to Taiwan. Following Taiwan's presidential election of 2012, Chinese President Hu Jintao seemed to have gained insights that enabled him to refine his Taiwan policy. In October 2012, the CCP will go through a leadership change at the party's 18th National Congress, and Chinese Vice President Xi Jinping, who is widely considered to be Hu's likely successor, looks set to continue Hu's policy of expanding Cross-Strait exchanges. Beijing is trying to use economic means to force political talks and to put political and military issues on the agenda in the future Cross-Strait talks.

Similarly, a difficult issue exists in that the DPP does not recognize the 1992 Consensus. In the near future, Beijing must change its approach and not rule out engaging with DPP figures and other pro-independence supporters to increase mutual trust.

The top priority for China is to make political reforms itself first. Chinese Premier Wen Jiabao's recent call for political reforms has been largely ignored because it lacks both substance and method. China remains a one-party, authoritarian, communist regime, and thus, political reform will topple the basics of China's ideology, which has long been in conflict with universal values such as the rule of law and personal freedom. Significant

reforms would involve freedom of speech and judicial independence as well as private property protection. The Western world and Taiwan wish to see Beijing introduce genuine democracy and respect for humanitarian rights from the bottom up step-by-step. As the people of China grow in prosperity, their demands for political freedom will grow as well. Unless China makes substantial reforms, it will be difficult to win the hearts of the Taiwanese.

6. With regard to military CBMs between the two sides, Taiwan's current policy toward China is "economy first, politics later; easy decisions first, tough calls later." The main reason for this is because the respective internal conditions on each side have not sufficiently matured for negotiations on political and military issues to begin.

Due to the fact that President Ma has just been reelected, the next four years will be a more advantageous environment for both sides and they will avail themselves of that. As a result, political contact may be inevitable, as Cross-Strait engagement might gradually evolve from current economic exchanges.

The CCP's 18th National Congress will be held this fall and complete the transition of power over to its new leaders, but Beijing is not expected to change "Hu's six points," the fundamental guidelines to Taiwan policy. Based upon the 1992 Consensus and anti-Taiwan independence stance, Taipei and Beijing should further seek to put an end to their political impasse and build mutual trust first. Then two sides can talk about military CBMs. Signing the peace treaty will be the final step.

On March 22, 2012, Honorary KMT Chairman Wu Poh-hsiung met CCP President Hu Jintao in Beijing at the annual KMT and CCP Cross-Taiwan Strait Economic and Cultural Forum. Chairman Wu told President Hu that

Cross-Strait matters should be handled under the banner of “one country, two areas” and that “relations between Taiwan and China are not state-to-state relations, but special relations.” Based on that mutual trust, Wu said Cross-Strait relations have progressed well. Responding to Wu’s remarks, Taiwan’s Presidential Office issued a statement recast with greater precision emphasizing that the “one country, two areas” concept is obviously true. At the same time, it mentioned that President Ma’s “Three Nos’s” stance has never changed. This concept is in line with the ROC’s constitution encompasses both Taiwan and Mainland China. In my view, Wu’s remarks are just trying to test the waters, while emphasizing Taiwan’s equal standing with China, perhaps to lay the grounds for future political talks. For instance, at a press conference on March 28, 2012, China’s Taiwan Affairs Office spokesman Yang Yi noted that “China has long maintained that, as long as one identifies with the One-China Principle, then all other questions could be discussed.”

For the purpose of ending hostilities, the top priority for China is to remove their missiles that target Taiwan. For the purpose of reducing chances of miscalculation and accidents in the military realm, CBMs, including operational military hotlines and maritime safety protocols between the armed forces of Taiwan and China, must also be established. In this way, the two sides can ease tensions with one another. Following this, both sides should work to remove barriers to the facilitation of the creation of a Cross-Strait peace accord through dialogue.⁶²

7. As to reducing distrust through pragmatism, the orderly operation of institutionalized Cross-Strait relations is gradually establishing mutual trust between the two sides. Yet this has faced major obstacles and still has a long

way to go. The political disputes between China and Taiwan are chronic problems that have no easy short-term solution. As the issues between the two sides cannot be resolved in the short term, the bottom line is that both must continuously take a pragmatic approach of de facto mutual non-denial toward each other in order to generate mutual trust as well as advance Cross-Strait relations step by step.

VI. Conclusion

Taiwan is a unique country that suffers from both diplomatic isolation and military threats from China, along with many political, economic, and social challenges. Among Taiwan's challenges, the most difficult is being able to deal with China peacefully and equally in the future, while still upholding its critical values. The Taiwan issue is fueled by a multitude of elements: historical legacy, long hostility, interests of superpowers, nationalistic pride, ideology, national interests, and political systems. Devising a mutually agreeable resolution of these is a difficult but necessary task.

Complicating this issue is the development of China, which has entered a new stage after several decades of continuous economic growth and a certain degree of political reform and opening up. The leadership is undergoing succession changes in 2012. At the same time, China is marred by inefficient bureaucracy, high unemployment, corruption, a large inequality gap, and other problems. The rise of China in terms of economic development, political power, international status, and military modernization now poses new challenges for Cross-Strait relations. The immediate impacts of China's rise include an increase of economic interdependence, shrinking room for Taiwan's aspirations for independence, shifting of military balance, further marginalization of Taiwan in regional organizations, and increasing

cooperation between Beijing and Washington on the management of the Taiwan issue. In the event that the PRC opts to take over Taiwan by force, this would cause a major confrontation and destabilization in East Asia. China's rise will bring about new challenges both within and outside of the country, further complicating Cross-Strait relations.⁶³

Due to the interplay of these factors, no one can predict precisely if and when the unification of China can be realized. Peaceful unification between the ROC and the PRC seems unlikely in the foreseeable future, however, due to ideological and domestic political factors, as well as historical distrust. As mentioned previously, after more than 62 years of de facto independence, Taiwan has developed into a stable democracy with many political freedoms and an increasing sense of national identity, which are contrary to those of the PRC. For example, China is still an authoritarian one-party regime with a controversial human rights record.

Moreover, there are competing perspectives within Taiwan, particularly the disagreement between the KMT and the DPP, concerning the basis of negotiations with the PRC with regard to the 1992 Consensus. Moreover, President Ma's current "Three No's" policy denotes "no unification" as a key component. At least peaceful coexistence and peaceful competition, however, are likely to be sustained in the near term. The key variables that will determine the future of Cross-Strait relations are: Taiwan's domestic politics; the changing international environment; the continued and consistent moderation of Beijing's policy and a change in its policy priorities; the building of mutual trust; and continued economic and business ties.

While a peaceful resolution may not emerge in the near term, the long-term trends show that the increased ROC-PRC economic links, cultural intercourse, and even political contacts will contribute to confidence-building and a reduction of mutual hostility. The trend toward improved relations between the two sides has gained a

momentum that will be difficult to reverse. This current relationship is too important to fail. Because of interdependence, both sides are incentivized to create win-win conditions for long-term peaceful development.

The transition of Cross-Strait relations from conflict to stability has not been easy. The achievements of the current stage are just the beginning of peacemaking in the Taiwan Strait. In his inaugural address in 2008, President Ma Ying-Jeou of Taiwan expressed the hope that the two sides would grasp the historic opportunity to open a new chapter of peace and co-prosperity. He emphasized the principle of “facing reality, pioneering a new future, shelving controversies, and pursuing a win-win solution.” Looking to the future, the two sides will encounter many difficult issues. As Dr. Henry Kissinger said, “ambiguity serves its purpose,” as Taiwan and China agree to disagree on some sensitive political issues such as mutual non-recognition, sovereignty, and mutual non-denial of a governing authority.

In my personal view, the two sides of Taiwan Strait are adhering to the principle of co-prosperity now. Evidence for this improvement has been acknowledged by the international community. For example, earlier last year, President Obama expressed his support for the progress that has been made to reduce tensions, and, in particular, how its continuation will be in the interests of the region. President Ma reiterated these ideas in a BBC interview on June 15, 2011, by promising that his administration’s policy will foster more open, deeper, and stronger relations with China. As further evidence of the improvement of relations with China, Taiwan has since been able to develop ties with Japan and other neighbors, reflecting a sense of goodwill. The growing ties between the two sides may also result in the exchange of ideas that may directly and indirectly influence China and its politics in the future.

Over the past four years, both Taiwan and China have been taking a path that corresponds to the wishes of the Taiwanese people. For instance, in November 2011,

Taiwan's MAC conducted a public opinion survey, which showed that 84.8 percent of the public support the government's continued use of institutionalized negotiations to handle Cross-Strait issues.⁶⁴ At the same time, a survey by the *United Daily News* on August 28, 2011 indicated that 52 percent of the Taiwanese people support maintaining the status quo indefinitely.⁶⁵ Taiwan will resolutely follow this recognized path until a solid foundation for Cross-Strait peace has been established. There are some important limits on how far the relationship can proceed, however. The bottom line for Taiwan is maintaining its present status as an independent sovereign state. It certainly will not progress to unification, at least not until far into the future.

The central issue is that at present neither side is going to compromise its political position on the unification issue. In terms of per capita income, democracy, human rights, political system, and various other socio-economic indicators, there are huge gaps between Taiwan and China. The PRC, however, is also carrying out various political and economic reforms. The best way to resolve the disputes between the two sides is patience to promote confidence-building and a reduction of hostility as a first step. Opposing Taiwan independence together is a medium goal. In view of the fact that peaceful unification or political integration cannot be reached in the foreseeable future, both Beijing and Taipei should maintain the status quo, while taking incremental steps to resolve their disputes. They have to face reality and recognize, or even accept, de facto and de jure, the existence of two Chinese governments. They should also put aside the issue of unification and devote themselves to promoting and increasing the range and depth of their mutual interests. As a matter of fact, as long as the two sides continue to pursue their basic overlapping interests-upholding the 1992 Consensus, avoiding the independence of Taiwan, and supporting peaceful developments-their future relationship can be peacefully and constructively expanded, and hope for eventual unification can remain.

In terms of prospects for further peaceful progress, the recent reelection of President Ma Ying-jeou to a second term on Jan. 14, 2012 reduced the tension and uncertainty both across the strait and in the international community. In response to the election results, China, through the State Council's Taiwan Affairs Office (TAS), released a statement "to express hope that Cross-Strait ties can continue to warm in the future and the wish that the two sides can continue to join hands together based on its objection to Taiwan independence and on the mutually agreed 1992 Consensus."⁶⁶

Taiwan's improving relations with China, however, should not be regarded as an inexorable and irreversible movement of economic integration, political reconciliation, and unification. Some would argue that Taiwan may become more susceptible to direct Chinese pressure and the sheer attraction of an economically successful China, speeding up the timetable for Cross-Strait reunification on unequal terms.⁶⁷ But there are real brakes on the process, and neither Beijing nor Taipei sees the progress as irreversible and inevitable. One factor is the inherent difficulty of some of the issues at play, particularly in the realms of sovereignty and security. Another is the caution of Taiwan's leaders when it comes to those sensitive issues. And finally, there is Taiwan's democratic system, which entails that any fundamental change in Taiwan's relationship with the PRC requires a broad political consensus.⁶⁸ The status quo will not last forever, however. Future economic negotiations will become more difficult, as Taiwan must also face reality and prepare to negotiate on the political and security issues.

The Taiwan issue is more complicated than anyone imagined, due to the balancing of many internal and external factors as well as international considerations. At the same time, economic interdependence between the two sides is extremely strong, and China is crucial to Taiwan's economic future. The ruling and opposition parties in Taiwan must face this reality and maintain good relations, even though few

Taiwanese support any political integration with China. Regarding future political talks, China will take sovereignty into account and is in a difficult position to make concessions to Taiwan. In terms of Cross-Strait stability, maintaining the status quo may be the best option for both sides and the international community. When the timing and conditions are mature, China and Taiwan may naturally find the best resolution.

Endnotes

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21. *BBC*, 6 October 2011. And see *World Journal*, 25 Jan. 2012, B7.
22. *Time*, 5 January 2012.
23. www.mac.gov.tw/ct.asp Minister of the Mainland Affairs Council Lai Shin-yuan delivered a speech titled "Taiwan's Cross-Strait policy-building an irreversible foundation for peace" at the Royal Institute of International Affairs at Chatham House, the United Kingdom, on 8 Sept. 2011.
24. *Taipei Times*, 11 November 2011, 1.
25. *The China Post*, 18 February 2012.
26. *Taipei Times*, "China Accuses MAC of being 'passive.'" 17 March, 2012, 1. See <http://www.taipetimes.com/News/front/archives/2012/03/17/2003527981> Yang Yi's comment blasting MAC's inactivity was apparently referring to the position announced by the Taiwan's MAC about promoting Cross-Strait joint development cooperation on Pingtan island, which is being developed by China's Fujian Provincial Government. In view of the fact that China gives excessive political overtones to the Pingtan project. Taiwan regards it as the model of the "one country, two systems." Taiwan rejects such a formula.
27. *The China Post*, 13 Nov. 2011, 1. And *Taipei Times*, 15 March 2012. Also see <http://news.chinatimes.com/world/11050403/132011091501411.html> And

- <http://news.chinatimes.com/focus/501010243/13201122900973.html> And see http://en.wikipedia.org/wiki/Hu_jintao. According to documents cited by President Ma Ying-jeou at a press conference to defend the existence of the so-called 1992 Consensus on August 28, 2011, the pact was reached in August 1992 during a meeting of the National Unification Commission and “One-China” refers to the ROC. And see http://en.wikipedia.org/wiki/Cross-Strait_relations
28. *Taipei Times*, 18 Nov. 2011, 8.
 29. *United Daily News*, editorial translation, 13 June 2008.
 30. *Taipei Times*, 9 Feb. 2012, 8. And see *World Journal*, 9 Dec. 2011, A8. In Taiwan, the government accepted the 1992 Consensus principle at a meeting with former President Lee Teng-hwai on Aug. 1, 1992.
 31. *Taipei Times*, 15 Dec. 2011, 1.
 32. *World Journal*, 5 Feb. 2012, A6.
 33. *Time*, 25 Nov. 2011. And *Reuters*, 19 July 2010.
 34. *Taipei Times*, 19 Nov. 2011, 1.
 35. *Taipei Times*, 14 Nov. 2011, 3. And see *Taipei Times*, 5 March 2012, 1. Chinese National People’s Congress spokesperson Li Zhaoxing cited this defense budget.
 36. *Time*, 5 Jan. 2012. *Taipei Times*, 5 March 2012, 1. And *Taipei Times*, 9 March 2012, 1.
 37. *Ibid.* *Indo-Asian News Service*, 08 December, 2011. Please see: <http://www.ndtv.com/article/india/india-is-third-largest-buyer-of-us-arms-156515>
 38. *Taipei Times*, 21 Feb. 2012, 1.
 39. *Taipei Times*, 21 Nov. 2011, 3.
 40. *The China Post*, 24 Dec. 2011.
 41. Statement of the MOFA of the ROC regarding the U.S.-PRC communiqué of 17 August 1982. And see www.worldjournal.com 27 October 2011, A8 and 10

- November 2011, A5.
42. Economist's Index of Democracy. And see *World Journal*, 1 Feb. 2012, A5.
 43. Data from 2003 to 2005 are from surveys conducted and published by the ERA poll center.
 44. *Taipei Times*, 5 March 2012, 3.
 45. *China Time??Times*, 30 Jan. 2011 Editorial.
 46. Ibid.
 47. Taiwan's trade volume will be U.S. \$150 billion in the next three years.
 48. *Taipei Times*, 14 Nov. 2011, 3.
 49. Brookings
 50. Ibid.
 51. *Taipei Times*, 1 March 2012, 8.
 52. *Taipei Times*, 9 Sept. 2011, 1. And see *Taipei Times*, 25 March 2012, 1. On March 24, 2012, Taipei Forum, a think tank led by former National Security Council Secretary-General Su Chi, which is touted as bipartisan, organized a meeting and also published its policy recommendations on diplomacy. Some think that, with China working to restrict Taiwan's international space and calls in the United States to give up on Taiwan, a new foreign policy is needed.
 53. *Taipei Times*, 2 March 2012, 1.
 54. Philip Yang, www.taiwansecurity.org
 55. *Taipei Times*, 10 Feb. 2012, 8.
 56. Ibid. And see www.worldjournal.com 14 Nov.2011, 1. and A7.
 57. *The China Post*, 11 Nov. 2011, 1. And *Taipei Times*, 12 March 2012, 2
 58. *Taipei Times*, 26 Feb. 2012, 8.
 59. *The China Post*, 24 Feb. 2012.
 60. *The China Post*, 25 Feb. 2012. And *Taipei Times*, 15 March 2012, 3. Also see

World Journal, 31 October 2011, A6. And 6 March 2012, A5. China's Taiwan office Director Wang Yi said, China has an open attitude to the DPP unless the party abandons its Taiwan's independence policy.

61. *Taipei Times*, 26 Feb. 2012, 3 & 16 March 2012, 3. And *The China Post*, 4 March 2012.

62. Bloomberg News, Editorial, 26 Feb. 2012. *Taipei Times*, 12 March 2012, 3. And *Taipei Times*, 24 March 2012, 8. And www.mac.gov.tw/ct.asp as well as *The China Post*, 24 March 2012. And *World Journal*, 23 March 2012, A5 editorial. Also see *The China Post*, 29 March 2012. As a matter of fact, the Honorary Chairman of the KMT Dr. Lien Chan met Chinese President Hu Jintao in Beijing and reached a five-point common vision which, includes CBMs, a peace agreement, and international room for maneuver.

63. Philip Yang, www.taiwansecurity.org.

64. *The China Post*, 15 Jan. 2012.

Also see: MAC, Public Opinion Survey. See <http://mac.gov.tw/>

65. *World Journal*, 10 September 2011, A9.

66. *Foreign Policy*, Jan/Feb 2012.

67. http://www.brookings.edu/testimony/2010/0318_china_economy_bush.aspx .

68. *World Journal*, 23 March 2012, A8.

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